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Programme and Budget Committee

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WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005

Proposals by the Director-General

Proposes the level and authorized purposes of the Working Capital Fund for the biennium 2004-2005, and reports on the status of the Fund as at 31 December 2002.

Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. In the absence of an authority to borrow funds from external sources, the Working Capital Fund provides a vital source of cash to meet the Organization's financial commitments when there is insufficient income from assessed contributions due to delays or non-payments by Member States.

3. Financial regulation 5.4(b) stipulates that "the sources of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances".

I. BIENNIUM 2002-2003

4. In its decision GC.9/Dec.13, the General Conference decided that the level of the Working Capital Fund for the biennium 2002-2003 should be $6,610,000 (to be converted to euros in accordance with GC.9/Dec.15) and that the authorized purposes of the Fund for the biennium should remain the same as those for the 2000-2001 biennium. The Conference also urged Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions. The Director-General was authorized to advance from the Fund during the 2002-2003 biennium:

> "(i) Such sums as might be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced should be reimbursed as soon as receipts from contributions were available for that purpose;

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"(ii) Such sums as might be necessary to finance unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced, the Director-General should make provision in the budget estimates for reimbursing the Working Capital Fund".

5. As at 31 December 2002, the status of the Fund was as follows:

Advances from Member States	€7,347,001
Unpaid advances	€76,029
Working Capital Fund	€7,423,030*

*US$6,610,000 converted into euros in accordance with decision GC.9/Dec.15: US$ 1 = €1.123.

The Fund is fully replenished to the level of Member States' advances.

II. PROPOSALS FOR THE BIENNIUM 2004-2005

6. It is proposed that the current level of the Working Capital Fund of €7,423,030 and the authorized purposes of the Fund for 2004-2005 continue to be those established by the Conference in its decision GC.9/Dec.13.

7. The Director-General assumes that, for the 2004-2005 biennium, most Member States will continue to meet their obligations. However, unless there is a substantial reduction in the level of unpaid assessed contributions, the possibilities of keeping the Working Capital Fund replenished to its authorized level are limited. The continued replenishment of the Working Capital Fund is a priority of the Organization to ensure that prudent minimum levels of cash reserves are maintained. This would allow for the utilization of the Working Capital Fund in accordance with the approved purposes should the need arise.

III. ACTION REQUIRED OF THE COMMITTEE

8. The Committee may wish to recommend to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of document IDB.27/4-PBC.19/4;

(b) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2004-2005 biennium remain the same as for the 2002-2003 biennium;

(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions".